

**ALPENA TOWNSHIP  
ALPENA COUNTY, MICHIGAN**

04-1010  
General Purpose Financial Statements  
Year Ended March 31, 2004

**STRALEY, ILSLEY & LAMP P.C.**

# AUDITING PROCEDURES REPORT

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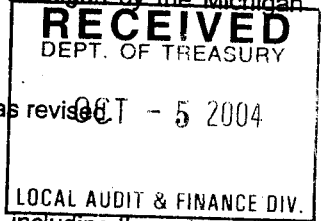
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name ALPENA TOWNSHIP		County ALPENA
Audit Date 3-31-04	Opinion Date JULY 15, 2004	Date Accountant Report Submitted to State: 9-30-04		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) STRALEY, ILSLEY & LAMP P.C.			
Street Address 2106 U.S. 23 SOUTH		City ALPENA	State MI
Accountant Signature 		ZIP 49707	

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### INDEPENDENT AUDITORS' REPORT

To the Township Board  
**Alpena Township**  
Alpena County, Michigan

We have audited the accompanying general purpose financial statements of **Alpena Township**, Michigan, as of March 31, 2004, and for the year then ended. These general purpose financial statements are the responsibility of **Alpena Township's** management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed asset account group is not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **Alpena Township**, Michigan as of March 31, 2003, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of **Alpena Township**, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Straley, Ilsley & Lamp P.C.*

July 15, 2004

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

Alpena Township

**COMBINED BALANCE SHEET - ALL FUND TYPES  
AND ACCOUNT GROUPS**

March 31, 2004

	Governmental Fund Type	Proprietary Fund Type
	General	Enterprise
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,218,642	\$ 324,390
Receivables		
Taxes	46,710	-
Accounts	-	107,500
Unbilled revenues	-	171,000
Special assessments	-	1,016,557
Due from other funds	1,115	-
Prepaid expenses	5,352	-
Advance to other governmental unit	34,186	-
Property and equipment	-	6,436,017
Amount to be provided for long-term debt	-	-
Total assets	<u>\$ 1,306,005</u>	<u>\$ 8,055,464</u>
<b>LIABILITIES AND EQUITIES</b>		
Accounts payable	\$ 5,068	\$ 94,095
Due to other funds	-	-
Due to other governmental units	2,150	363
Accrued wages	9,718	1,881
Other liabilities	-	-
Current portion of long-term debt	-	155,000
Long-term debt	-	430,000
Deferred revenue	-	1,016,557
Total liabilities	<u>16,936</u>	<u>1,697,896</u>
Fund equities		
Contributed capital	-	435,587
Retained earnings	-	210,611
Reserved	-	5,711,370
Unreserved	-	-
Fund balances	1,289,069	-
Unreserved	1,289,069	6,357,568
Total fund equities	<u>1,289,069</u>	<u>6,357,568</u>
Total liabilities and equities	<u>\$ 1,306,005</u>	<u>\$ 8,055,464</u>

The accompanying notes to financial statements are an integral part of this statement.

Fiduciary Fund Type	Account Group	Totals, Note 1 (Memorandum Only)	
		2004	2003
Trust and Agency	General Long-Term Debt		
\$ 1,115	\$ -	\$ 1,544,147	\$ 1,943,888
-	-	46,710	-
-	-	107,500	98,464
-	-	171,000	167,700
-	-	1,016,557	1,323,985
-	-	1,115	1,115
-	-	5,352	12,131
-	-	34,186	37,500
-	-	6,436,017	6,422,048
-	110,989	110,989	118,768
<u>\$ 1,115</u>	<u>\$ 110,989</u>	<u>\$ 9,473,572</u>	<u>\$ 10,125,599</u>
\$ -	\$ -	\$ 99,163	\$ 95,294
1,115	-	1,115	1,115
-	-	2,513	-
-	-	11,599	-
-	-	-	-
-	110,989	155,000	205,000
-	-	540,989	698,768
<u>1,115</u>	<u>110,989</u>	<u>1,016,557</u>	<u>1,323,985</u>
		<u>1,826,936</u>	<u>2,324,162</u>
-	-	435,587	435,587
-	-	210,611	208,667
-	-	5,711,370	5,971,186
-	-	1,289,069	1,185,997
<u>-</u>	<u>-</u>	<u>7,646,637</u>	<u>7,801,437</u>
<u>\$ 1,115</u>	<u>\$ 110,989</u>	<u>\$ 9,473,572</u>	<u>\$ 10,125,599</u>

The accompanying notes to financial statements are an integral part of this statement.

Alpena Township

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**

Year ended March 31

	General Fund	
	2004	2003
<b>REVENUES</b>		
Taxes	\$ 642,905	\$ 661,391
Licenses and permits	58,599	60,586
State sources	710,208	756,888
Interest and rents	13,915	18,125
Other	15,269	18,977
Total revenues	<u>1,440,896</u>	<u>1,515,967</u>
<b>EXPENDITURES</b>		
Legislative	11,575	11,589
General government	430,208	391,601
Public safety		
Liquor control	14,376	14,706
Fire	453,936	423,498
Crossing guards	3,162	2,976
Building inspector	31,075	31,975
Zoning and appeals board	10,029	8,336
Hydrant rental	25,000	25,000
Ordinance enforcement	8,371	6,463
Public works	81,032	183,414
Health and welfare	10,449	43,140
Culture and recreation	46,483	88,046
Other	160,409	136,741
Capital outlay	51,719	19,557
Total expenditures	<u>1,337,824</u>	<u>1,387,042</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>103,072</u>	<u>128,925</u>
<b>FUND BALANCES, April 1 As Previously Stated</b>	<u>1,185,997</u>	<u>1,107,006</u>
Prior Period Adjustment (Note 12)	-	(49,934)
<b>FUND BALANCES, April 1 As Restated</b>	<u>1,185,997</u>	<u>1,057,072</u>
<b>FUND BALANCES, March 31</b>	<u>\$ 1,289,069</u>	<u>\$ 1,185,997</u>

The accompanying notes to financial statements are an integral part of this statement.



Alpena Township

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**

Year ended March 31, 2004

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES</b>			
Taxes	\$ 622,654	\$ 642,905	\$ 20,251
Licenses and permits	53,000	58,599	5,599
State sources	708,300	710,208	1,908
Interest and rents	14,000	13,915	(85)
Other	13,800	15,269	1,469
Total revenues	<u>1,411,754</u>	<u>1,440,896</u>	<u>29,142</u>
<b>EXPENDITURES</b>			
Legislative	16,660	11,575	5,085
General government	524,006	430,208	93,798
Public safety			
Liquor control	39,234	14,376	24,858
Fire	573,872	453,936	119,936
Crossing guards	3,200	3,162	38
Building inspector	30,833	31,075	(242)
Zoning and appeals board	13,000	10,029	2,971
Hydrant rental	25,000	25,000	-
Ordinance enforcement	10,000	8,371	1,629
Public works	348,000	81,032	266,968
Health and welfare	7,000	10,449	(3,449)
Culture and recreation	3,500	46,483	(42,983)
Other	327,662	160,409	167,253
Capital outlay	597,000	51,719	545,281
Total expenditures	<u>2,518,967</u>	<u>1,337,824</u>	<u>1,181,143</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,107,213)</u>	<u>103,072</u>	<u>1,210,285</u>
<b>FUND BALANCES, April 1 As Previously Stated</b>	<u>1,193,912</u>	<u>1,185,997</u>	<u>(7,915)</u>
Prior Period Adjustment (Note 12)	-	-	-
<b>FUND BALANCES, April 1 As Restated</b>	<u>1,193,912</u>	<u>1,185,997</u>	<u>-</u>
<b>FUND BALANCE, March 31</b>	<u>\$ 86,699</u>	<u>\$ 1,289,069</u>	<u>\$ 1,218,200</u>

The accompanying notes to financial statements are an integral part of this statement.

Alpena Township

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES**

Year ended March 31

	Enterprise, Water and Sewer	
	2004	2003
<b>OPERATING REVENUES</b>		
Charges for services		
Total operating revenues	\$ 1,099,307	\$ 1,184,005
	<u>1,099,307</u>	<u>1,184,005</u>
<b>OPERATING EXPENSES</b>		
Salaries and fringe benefits	182,891	187,359
Purchased water and sewer services	1,014,987	1,034,382
Supplies	20,656	30,047
Power and gas	26,835	26,405
Repairs and transportation	57,977	69,212
Depreciation	148,902	147,097
Other	119,432	140,289
Total operating expenses	<u>1,571,681</u>	<u>1,634,791</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(472,374)</u>	<u>(450,786)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest earned	5,853	13,022
Special assessments	113,529	306,101
Unit benefit charges	156,308	126,532
Interest expense	(61,188)	(76,190)
Total nonoperating revenues (expenses)	<u>214,502</u>	<u>369,465</u>
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<u>(257,872)</u>	<u>(81,321)</u>
<b>RETAINED EARNINGS, beginning of the year</b>	<u>6,179,853</u>	<u>6,261,174</u>
<b>RETAINED EARNINGS, end of the year</b>	<u>\$ 5,921,981</u>	<u>\$ 6,179,853</u>

The accompanying notes to financial statements are an integral part of this statement.

Alpena Township

**COMBINED STATEMENT OF CASH FLOWS -  
ALL PROPRIETARY FUND TYPES**

Year ended March 31

	Enterprise, Water and Sewer	
	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,086,971	\$ 1,179,269
Cash payments to suppliers for goods and services	(1,234,383)	(1,285,172)
Cash payments to employees for services	(181,011)	(190,584)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(328,423)</b>	<b>(296,487)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on bonds	(200,000)	(205,000)
Interest paid on bonds	(61,188)	(76,190)
Cash received from special assessments	113,529	306,101
Cash received from unit benefit charges	156,308	126,532
Acquisition of capital assets	(162,871)	(45,380)
<b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>	<b>(154,222)</b>	<b>106,063</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	5,853	13,022
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>5,853</b>	<b>13,022</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(476,792)</b>	<b>(177,402)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<b>801,182</b>	<b>978,584</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 324,390</b>	<b>\$ 801,182</b>

The accompanying notes to financial statements are an integral part of this statement.

Alpena Township

**COMBINED STATEMENT OF CASH FLOWS -  
ALL PROPRIETARY FUND TYPES**

Year ended March 31

	Enterprise, Water and Sewer	
	2004	2003
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (472,374)	\$ (450,786)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	148,902	147,097
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(9,036)	(436)
(Increase) decrease in accrued unbilled revenues	(3,300)	(4,300)
Increase (decrease) in accounts payable	5,504	12,736
Increase (decrease) in accrued liabilities	1,881	(3,225)
(Increase) decrease in prepaid pensions	-	2,427
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ (328,423)</b>	<b>\$ (296,487)</b>

The accompanying notes to financial statements are an integral part of this statement.

Alpena Township

NOTES TO FINANCIAL STATEMENTS

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

The accounting policies of Alpena Township conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**A. Reporting Entity.**

**Description of Township Operations.** Alpena Township is a political entity situated within the County of Alpena which is located in the northeastern region of the lower peninsula of Michigan. The governing body of the Township is the Township Board, composed of the supervisor, the clerk, the treasurer, and four trustees. The Township supervisor acts as the chief administrative and executive officer.

The Township provides services to its citizens in general government, public safety, public works, health and welfare, and recreation and culture. Revenues for these services are provided chiefly by taxes and state shared revenues.

**B. Basis of Presentation.**

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The financial activities of the Township are recorded in separate funds and account groups, described as follows:

**Governmental Fund Types.** **General Fund.** This fund includes the general operations of the Township and transactions not included in other funds. The revenues of this fund are derived primarily from property taxes and state shared revenues.

**Proprietary Fund Types.** **Enterprise Fund.** This fund records operations that provide services financed primarily by user fees or where periodic measurement of net income is deemed appropriate. This fund is solely the Water Supply and Sewage Disposal System Fund. Special assessment revenues are recorded in this fund. In addition, special assessment receivables have been recorded. Revenue from the sale of water and sewage services is recorded based on the services consumed.

**Fiduciary Fund Types.** **Trust and Agency Fund.** This fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds.

**Account Groups.** **General Fixed Assets Account Group.** This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets). The Township has not established this account group, as required by generally accepted accounting principles.

**General Long-Term Debt Account Group.** This account group presents the balance of general obligation long-term debt which is not recorded in proprietary funds.

**C. Measurement Focus/Basis of Accounting.**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of Alpena Township conform to generally accepted accounting principles as applicable to governmental units.

Alpena Township

NOTES TO FINANCIAL STATEMENTS

**Governmental Funds.** The Governmental Fund Types (General) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

**Proprietary Funds.** The Proprietary Funds Types (Enterprise) are accounted for on a cost-of-service or "capital maintenance" measurement focus, using the accrual basis of accounting. The Township applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Fiduciary Funds.** The Fiduciary Funds are maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

**Cash and Cash Equivalents.** For purposes of these financial statements, cash equivalents include time deposits, certificates of deposit, and all other highly liquid deposits with maturities of three months or less.

**Employee Vacation and Sick Leave.** After one year of employment, Township employees are granted vacation leave in varying amounts based on length of service and other contractual provisions. Vacation pay is fully vested when earned. Employees, other than Firefighters, must use all vacation time in the year it is earned. Sick leave accumulates at various rates stipulated under certain contractual provisions. Upon retirement employees are paid for one-half of their unused sick leave. Firefighters may accumulate 1,800 hours of sick leave. Other employees may accumulate 800 hours of sick leave.

**Property Taxes.** Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. The taxes are due on February 14 with the final collection date of February 29 before they are added to the delinquent County of Alpena tax rolls. Assessed values are established annually and are equalized by the State at an estimated 50% of current market value. Property in Alpena Township for the 2003 levy was assessed at a taxable value of \$265,572,212. The Township's general operating rate is currently 1.0367 mills and .9704 mills for fire department operations and expenditures. On February 27, 2001, the electorate of the Township of Alpena passed an additional .21 mills (currently .2058 mills) to acquire, construct, furnish, and equip an Alpena County Community Events Center. With other governmental services, such as county, schools, and ambulance, Township residents pay a total of 22.1656 mills for homestead property and 40.0917 mills for nonhomestead property.

By agreement with the County of Alpena, delinquent real property taxes are purchased by the County of Alpena. The proceeds from the County's purchase of the delinquent taxes are used to liquidate the Township's delinquent real property taxes receivables.

**Inventories.** Inventories are not considered significant and are recorded as expenditures when purchased.

Alpena Township

NOTES TO FINANCIAL STATEMENTS

**Property and Equipment.** In governmental fund types, these items are recorded as expenditures when purchased. In the Water Supply and Sewage Disposal System Fund, property, plant and equipment acquired prior to February 28, 1974 are not recorded. Property, plant and equipment acquired after February 28, 1974 are recorded at cost. Allowance for depreciation using the straight-line method is accumulated over the estimated useful lives of the assets. Property, plant and equipment consist of:

	March 31	
	2004	2003
Water and sewer plant and mains acquired prior to February 28, 1974	\$ -	\$ -
Water and sewer plant and mains acquired after February 28, 1974, at cost	8,883,736	8,883,736
Equipment	<u>183,918</u>	<u>183,918</u>
	9,067,654	9,067,654
Less accumulated depreciation	<u>2,899,727</u>	<u>2,750,824</u>
	6,167,927	6,316,830
Land	17,030	17,030
Building	<u>199,788</u>	<u>88,188</u>
Totals	<u>\$ 6,384,745</u>	<u>\$ 6,422,048</u>

**Encumbrances.** Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the Township. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications.** Certain items reported in the 2003 financial statements may have been reclassified to conform with the presentation for the current year.

**Total Columns on the Combined Financial Statements.** Total columns on the combined financial statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2--LEGAL COMPLIANCE.

**Budgets and Budgetary Accounting.** Prior to adoption of the operating budget, Township departments prepare and submit their proposed operating budgets commencing the following April 1. A public hearing is conducted to obtain taxpayer comments. Prior to March 31, the budget is adopted by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year. Unused appropriations at March 31, are not carried forward to the following year. The budget for the year ended March 31, 2004 was adopted on a functional basis.

Alpena Township

NOTES TO FINANCIAL STATEMENTS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Local Unit's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Alpena Township for these budgetary funds were adopted on a function level. Detail at the activity and departmental level is presented in the General Fund Combining Statement for the benefit of management.

During the year ended March 31, 2004, Alpena Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Public safety			
Building inspector			
Health and Welfare	\$ 30,833	\$ 30,720	\$ 113
Culture and Recreation	7,000	7,000	0
	3,500	346	3,154

**Accumulated Fund Deficits.** Alpena Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2004.

**NOTE 3--DEPOSITS WITH FINANCIAL INSTITUTIONS.**

The Township maintains separate cash accounts for each of its funds. Cash is not pooled.

For the year ended March 31, 2004 the carrying amount of the Township's deposits with financial institutions was \$1,542,432 the bank balance was \$1,573,074. Of the bank balance, \$200,000 was covered by federal depository insurance (FDIC), with the remaining balance of \$1,373,074 being uninsured.

Statutes authorize the Township to invest as follows:

- (a) In bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank or a savings and loan association which is a member of the federal deposit insurance corporation or a credit union which is insured by the national credit union administration, but only if the banksavings and loan association or credit union is an eligible Michigan depository.
- (c) In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. No more than 50% of any fund may be invested in commercial paper at any time.
- (d) In United States government or federal agency obligation repurchase agreements.
- (e) In bankers' acceptances of United States banks.
- (f) In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.



Alpena Township

NOTES TO FINANCIAL STATEMENTS

**NOTE 4--INTERFUND RECEIVABLE AND PAYABLES.**

Interfund receivable and payables at March 31, 2004 are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General		
Trust and Agency	\$ 1,115	\$ -
	<u>-</u>	<u>1,115</u>
Totals	<u>\$ 1,115</u>	<u>\$ 1,115</u>

**NOTE 5--LONG-TERM DEBT** (including current portions).

Long-term debt (including current portions) of the Township is as follows:

	<u>Balances, Apr 01, 03</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balances, Mar 31, 04</u>
<b>Enterprise Fund:</b>				
Water and sewer bonds				
Alpena County general obligation refunding bonds, dated 1989, 1989-2007 (contractual obligation)	\$ 515,000	\$ -	\$ (150,000)	\$ 365,000
Alpena Township special assessment bonds, dated 1989, 1989-2010	<u>270,000</u>	<u>-</u>	<u>(50,000)</u>	<u>220,000</u>
Totals	<u>\$ 785,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 585,000</u>
<b>General Long-Term Debt Account Group:</b>				
Vacation and sick leave	\$ 118,768	\$ -	\$ (7,779)	\$ 110,989
Totals	<u>\$ 118,768</u>	<u>\$ -</u>	<u>\$ (7,779)</u>	<u>\$ 110,989</u>

The Water and Sewer Bonds are contractual obligations between Alpena Township and the County of Alpena. These bonds are secured by special assessments levied against benefiting real property located within the Township. In 1989, the Township retired six bond issues through advance refunding. See Note 6 for a more detailed explanation.

The annual requirements to pay principal and interest on the bonds outstanding at March 31, 2005 through 2009 and thereafter, are as follows:

	<u>Enterprise Fund</u>
2005	\$ 196,663
2006	200,192
2007	142,588
2008	99,188
2009	27,438
Due thereafter	20,750

Alpena Township

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6--BOND REFINANCING.**

On May 4, 1989, Alpena County (on behalf of Alpena Township) issued \$3,005,000 in General Obligation Bonds (both Limited and Unlimited) with an average interest rate of 7.37 percent to advance refund six loans held by the U.S. Farmers Home Administration (FmHA) having total outstanding balances of \$3,745,000 with interest rates ranging from 5.0 percent to 11.375 percent. The loans were discounted by the FmHA under a Discount Purchase Program which allowed the Township to purchase their FmHA loans at a discount. FmHA had the right to require the loans to be refinanced in the future at par.

**NOTE 7--RETIREMENT PLAN.**

The Township provides pension benefits for all of its employees who are full-time through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate effective the first August after their employment. The employee and the Township contribute a combined amount equal to 10% of the employee's base salary annually. The Township's share of this contribution is 95%, while the employee is required to contribute 5%. In addition, employees may make voluntary contributions of up to 10% of their base salary. Contributions made on behalf of an employee become vested immediately.

Together the Township and the covered employees made the required 10% contribution, amounting to \$57,994 and \$52,100 as of March 31, 2004 and 2003, respectively. In addition, certain employees made voluntary contributions of \$13,789 and \$11,563 as of March 31, 2004 and 2003, respectively.

**NOTE 8--FUND EQUITY.**

Reserves of \$210,611 and \$208,667 exist in the Water Supply and Sewage Disposal System Fund for bonds and replacement at March 31, 2004 and 2003, respectively.

**NOTE 9--RISK MANAGEMENT.**

The Township is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, unemployment benefits, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for fleet equipment and tort claims, boiler and machinery, certain property and equipment damage and theft, employee theft, and limited tort claims for specific Township facilities or events.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.

The Township pays unemployment claims on a reimbursement basis.

**NOTE 10--CONTINGENT LIABILITIES.**

There are various claims and legal actions pending against the Township and its various operating units. The Township is defending itself against these claims and actions. In the opinion of Township management, the ultimate amount of loss, if any at this time, will not be material to the financial position of the Township.

Alpena Township

NOTES TO FINANCIAL STATEMENTS

Water and sewer services are purchased from the City of Alpena, which charges an estimated unit charge. The Township and City annually reconcile any differences to actual costs, with gain or loss being recognized in a subsequent period. The effect on the financial statements cannot be determined at this time.

Alpena Township has been named as a defendant in appeals of personal property tax valuation by Alpena Power Company and Michigan Consolidated Gas Company. The Scope of valuation at issue is not known at this time.

In addition, the Township, along with other entities, has been identified as a contributor to waste at a landfill that is in the remedial investigation phase. As neither an owner, operator, nor generator of hazardous waste to the site, it is anticipated that the Township will be denying any responsibility for any remedial efforts at the site.

**NOTE 11--BUILDING CODE ACTIVITY.**

State of Michigan Construction Code Act (Public Act 245 of 1999) requires building code activity to be separated from other general fund activity effective January 1, 2000. Building code activity for the fiscal year ending March 31, 2004 and 2003 is as follows:

	<u>2004</u>	<u>2003</u>
Building code revenue	\$ 54,459	\$ 58,883
Building code expenditures		
Direct costs		
Inspector's wages	30,720	32,492
Secretary's wages	15,669	20,423
Fringe benefits	23,957	19,193
Travel	<u>2,334</u>	<u>1,941</u>
	72,680	74,049
Indirect overhead		
Administrative wages		
Building insurance	-	600
Utilities	2,251	275
Repairs and maintenance	1,444	1,187
Telephone	602	786
Office supplies and printing	1,247	1,409
Legal and professional	5,519	7,305
Other	10,504	14,856
	<u>700</u>	<u>700</u>
	22,267	27,118
Total expenditures	<u>94,947</u>	<u>101,167</u>
Excess revenue over (under) expenditures	\$ <u>(40,488)</u>	\$ <u>(42,284)</u>

**COMBINING FINANCIAL STATEMENTS**  
**GENERAL FUND**

Alpena Township

General Fund

BALANCE SHEET

ASSETS	March 31	
	2004	2003
Cash	\$ 110,904	\$ 191,591
Certificates of deposit	1,107,738	950,000
Taxes receivable, current	46,710	-
Due from other funds	1,115	1,115
Prepaid expenses	5,352	12,131
Advance to other governmental unit	34,186	37,500
	<u>\$ 1,306,005</u>	<u>\$ 1,192,337</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 5,068	\$ 6,340
Due to other funds	-	-
Due to other government units	2,150	-
Accrued wages payable	9,718	-
Withholdings from salaries and other liabilities	-	-
Fund Balances	<u>16,936</u>	<u>6,340</u>
Unreserved	1,289,069	1,185,997
	<u>1,289,069</u>	<u>1,185,997</u>
	<u>\$ 1,306,005</u>	<u>\$ 1,192,337</u>

Alpena Township

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

	Year Ended March 31		
	2004 Budget	2004 Actual	2003 Actual
<b>REVENUES</b>			
<b>TAXES</b>			
Property taxes	\$ 542,654	\$ 545,355	\$ 565,331
Other	80,000	97,550	96,060
	<u>622,654</u>	<u>642,905</u>	<u>661,391</u>
<b>LICENSES AND PERMITS</b>			
Building permits	50,400	53,287	54,633
Planning, zoning and appeals	2,000	3,250	2,150
Other	600	2,062	3,803
	<u>53,000</u>	<u>58,599</u>	<u>60,586</u>
<b>STATE SOURCES</b>			
Sales tax	692,500	690,413	741,005
Land tax	8,000	-	7,916
Liquor control	7,800	8,207	7,967
Other	-	11,588	-
	<u>708,300</u>	<u>710,208</u>	<u>756,888</u>
<b>INTEREST AND RENTS</b>			
	<u>14,000</u>	<u>13,915</u>	<u>18,125</u>
<b>OTHER</b>			
Miscellaneous	13,800	15,269	18,977
Total revenues	<u>1,411,754</u>	<u>1,440,896</u>	<u>1,515,967</u>
<b>EXPENDITURES</b>			
<b>LEGISLATIVE</b>			
Trustees	<u>16,660</u>	<u>11,575</u>	<u>11,589</u>
<b>GENERAL GOVERNMENT</b>			
Supervisor	38,758	39,205	37,267
Clerical	86,007	86,066	86,988
Elections	7,500	4,979	13,100
Auditing	3,800	3,725	2,650
Assessor	<u>30,833</u>	<u>31,173</u>	<u>31,260</u>

Alpena Township

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

	Year Ended March 31		
	2004 Budget	2004 Actual	2003 Actual
<b>EXPENDITURES (continued)</b>			
<b>GENERAL GOVERNMENT (continued)</b>			
Legal	\$ 30,000	\$ 20,713	\$ 38,673
Clerk	36,804	37,229	35,388
Board of review	4,000	1,470	1,510
Treasurer	36,804	37,339	35,253
Data processing	15,000	9,724	8,773
Janitor	7,500	7,750	7,428
Building insurance	4,500	858	(410)
Snowplowing	3,150	1,825	1,546
Refuse	750	11,512	711
Electric	2,600	1,853	2,047
Heat	4,800	2,692	1,973
Water and sewer	1,000	257	417
Maintenance, buildings	35,000	1,122	3,284
Maintenance, grounds	51,500	5,456	220
Workers' compensation	2,500	2,362	1,949
Office supplies	21,000	12,552	11,883
Postage	15,000	12,991	15,348
Telephone	7,000	4,988	5,635
Transportation and travel	15,000	12,005	11,436
Printing and publishing	10,000	4,313	5,051
Engineering	1,800	-	-
Dues and memberships	9,000	11,345	11,152
Refunds and rebates	2,500	1,476	2,233
Planning	34,000	4,399	14,778
Miscellaneous	6,300	4,618	4,058
Data processing	-	54,211	-
	<u>524,406</u>	<u>430,208</u>	<u>391,601</u>
<b>PUBLIC SAFETY, LIQUOR CONTROL</b>			
Salaries	38,434	13,590	13,849
Other	800	786	857
	<u>39,234</u>	<u>14,376</u>	<u>14,706</u>

Alpena Township

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

	Year Ended March 31		
	2004 Budget	2004 Actual	2003 Actual
<b>EXPENDITURES (continued)</b>			
<b>PUBLIC SAFETY, FIRE</b>			
Salaries	\$ 260,838	\$ 279,455	\$ 257,926
Volunteer fees	18,000	12,440	12,780
Life insurance	1,800	1,317	1,742
Payroll taxes	21,332	22,860	21,356
Hospitalization	58,302	61,618	54,460
Vehicle insurance	6,200	7,864	5,802
Retirement	21,000	6,249	4,921
Volunteer insurance	2,100	1,713	1,668
Workers' compensation	15,000	12,120	13,417
Legal	8,000	6,540	6,158
Operating supplies	4,200	3,736	4,061
Gas and oil	2,500	1,197	1,083
Uniforms	-	2,908	2,486
Volunteer gear	8,000	4,017	2,768
Fit-out gear	-	93	558
Schools and conventions	11,500	340	1,786
Telephone	3,500	2,295	3,098
Electric	3,500	4,384	3,150
Heat	5,000	5,243	2,660
Water and sewer	1,000	555	680
Maintenance and repairs	-	8,226	6,648
Building and grounds	100,000	6,482	8,454
Dues and memberships	1,200	71	1,014
Physicals	8,000	568	1,948
Miscellaneous	12,500	1,645	2,874
	<u>573,472</u>	<u>453,936</u>	<u>423,498</u>
<b>PUBLIC SAFETY, CROSSING GUARDS</b>	<u>3,200</u>	<u>3,162</u>	<u>2,976</u>
<b>PUBLIC SAFETY, BUILDING INSPECTOR</b>	<u>30,833</u>	<u>31,075</u>	<u>31,975</u>
<b>PUBLIC SAFETY, ZONING AND APPEALS BOARD</b>	<u>13,000</u>	<u>10,029</u>	<u>8,336</u>



Alpena Township

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

	Year Ended March 31		
	2004 Budget	2004 Actual	2003 Actual
<b>EXPENDITURES (continued)</b>			
<b>PUBLIC SAFETY, HYDRANT RENTAL</b>	\$ 25,000	\$ 25,000	\$ 25,000
<b>PUBLIC SAFETY, ORDINANCE ENFORCEMENT</b>	10,000	8,371	6,463
<b>PUBLIC WORKS</b>			
Street lighting	13,000	8,699	11,459
Highways, streets and bridges	335,000	72,333	171,955
	348,000	81,032	183,414
<b>HEALTH AND WELFARE</b>	7,000	10,449	43,140
<b>CULTURE AND RECREATION</b>			
Cultural grant	-	15,149	15,322
Recreation	3,500	31,334	72,724
	3,500	46,483	88,046
<b>OTHER</b>			
Hospitalization	72,370	79,563	66,959
Life insurance	3,000	1,532	1,074
Retirement	32,672	38,119	38,278
Social security	23,894	22,964	24,363
Insurance and bonds	4,500	7,089	6,067
Contingency	191,226	-	-
Other	-	11,142	-
	327,662	160,409	136,741
<b>CAPITAL OUTLAY</b>	597,000	51,719	19,557
Total expenditures	2,518,967	1,337,824	1,387,042
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(1,107,213)	103,072	128,925
<b>FUND BALANCES, April 1 As Previously Stated</b>	1,193,912	1,185,997	1,107,006
<b>Prior Period Adjustment</b>	-	-	(49,934)
<b>FUND BALANCES, April 1 As Restated</b>	1,193,912	1,185,997	1,057,072
<b>FUND BALANCES, MARCH 31</b>	\$ 86,699	\$ 1,289,069	\$ 1,185,997

**COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES**

**ALL AGENCY FUNDS**

Alpena Township

Trust and Agency Fund

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
ALL AGENCY FUNDS

	<u>Balances, April 1, 2003</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balances, March 31, 2004</u>
<b>ASSETS</b>				
Cash	<u>\$ 1,115</u>	<u>\$ 7,496,220</u>	<u>\$ 7,496,220</u>	<u>\$ 1,115</u>
	<u><u>\$ 1,115</u></u>	<u><u>\$ 7,496,220</u></u>	<u><u>\$ 7,496,220</u></u>	<u><u>\$ 1,115</u></u>
<b>LIABILITIES AND EQUITY</b>				
Due to other funds	<u>\$ 1,115</u>	<u>\$ 791,010</u>	<u>\$ 791,010</u>	<u>\$ 1,115</u>
Due to other governmental units	<u>-</u>	<u>6,705,210</u>	<u>6,705,210</u>	<u>-</u>
	<u><u>\$ 1,115</u></u>	<u><u>\$ 7,496,220</u></u>	<u><u>\$ 7,496,220</u></u>	<u><u>\$ 1,115</u></u>

## **ADDITIONAL FINANCIAL INFORMATION**

Alpena Township

SCHEDULE OF INDEBTEDNESS

March 31, 2004

	Interest Rate	Date of Maturity	Principal Payable	Annual Interest Payable
<b>ENTERPRISE FUND</b>				
Alpena County				
1989 Series G.O. Refund-	7.40%	2004/05	\$ 105,000	\$ 27,113
ing Bonds	7.40%	2005/06	120,000	19,342
Date of Issue:	7.45%	2006/07	75,000	10,463
May 4, 1989	7.50%	2007/08	65,000	4,875
Amount of Issue:			<u>365,000</u>	<u>61,793</u>
\$3,005,000				
Alpena Township	7.40%	2004/05	50,000	14,550
1989 Special Assess-	7.40%	2005/06	50,000	10,850
ment Bonds	7.50%	2006/07	50,000	7,125
Date of Issue:	7.50%	2007/08	25,000	4,313
May 1, 1989	7.50%	2008/09	25,000	2,438
Amount of Issue:	7.50%	2009/10	20,000	750
\$870,000			<u>220,000</u>	<u>40,026</u>
Totals			<u>\$ 585,000</u>	<u>\$ 101,819</u>



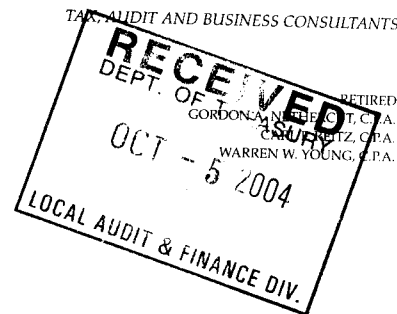
Certified Public Accountants

## STRALEY, ILSLEY & LAMP P.C.

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SHANNA M. JOHNSON, C.P.A.  
DONALD C. LEVREN

July 15, 2004



To the Township Board  
Alpena Township  
Alpena, Michigan

We have audited the financial statements of Alpena Township for the year ended March 31, 2004, and have issued our report thereon dated July 15, 2004. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 12, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Alpena Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Alpena Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending March 31, 2003. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the governmental unit's financial reporting process (that is, cause future financial statement to be materially misstated). In our judgment, some of the adjustments we proposed, which were recorded by the governmental unit, either individually or in the aggregate, indicate matters that could have a significant effect on the governmental unit's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Alpena Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Reportable Conditions**

Reportable conditions involve matters coming to our attention, under standards established by the American Institute of Certified Public Accountants, relating to significant deficiencies in the design or operations of the internal control structure that, in our judgment, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose of financial statements. Following are certain reportable conditions, as well as other matters, we noted during our audit. Our consideration of the internal control structure would not necessarily disclose all matters that might be reportable conditions.

**General Fixed Assets.** The Township's audit report has been qualified since the Township has not developed a General Fixed Asset Accounting Group. We encourage the Township to complete this inventory and valuation of its assets.

## Other Matters

1. **Accounting System.** The current process of manual general ledger entry and record keeping should be considered for transitioning to a computerized system as quickly as possible. Both the process of recording daily transactions as well as completing year end auditing procedures is time consuming, cumbersome, and potentially more prone to errors. With an update to a computerized accounting system management would be able to more efficiently complete accounting functions as well as provide information to those who request it in a timely manner. We would be happy to consult with management as it begins the process of computerizing its accounting.
2. **Recent Pronouncements.** The Governmental Standards Board and Michigan Department of Treasury, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way Alpena Township maintains its financial records:
  - a. **GASB Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.** This pronouncement proposes widespread changes that would affect the way financial statements would be presented for all governmental units. It establishes that the basic financial statements and required supplementary information (RSI) for general purpose financial statements should consist of:
    - *Management’s Discussion and Analysis (MD&A).* MD&A should introduce the basic financial statements and provide an analytical overview of the government’s financial activities.
    - *Basic Financial Statements,* consisting of government-wide financial statements. Each statement should distinguish between governmental and business-type activities using an economic resources measurement focus and the accrual basis of accounting.
    - *Required Supplementary Information (RSI),* consisting of budgetary comparison schedules along with other types of data as required by previous GASB pronouncements.

Alpena Township will be subject to GASB Statement No. 34 with the fiscal year beginning April 1, 2004. Although it may seem implementation is pending in the distant future, the Township must begin to put the systems in place to allow for a smooth transition to the new requirements. During the next year the Township must implement:

1. A new chart of accounts to categorize and assign accounts to comply with the new reporting format (The Michigan Department of Treasury has revised the “Uniform Chart of Accounts”). This will include the assignment of all fringe benefits and payroll taxes to their respective county departments.
2. Establish a system to report Capital Asset financial activity. This includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all assets that are used in operations and that have initial useful lives over one year.

Capital assets should be depreciated over their estimated useful lives and depreciation expense reported in the Statement of Activities.
3. GASB No. 34 requires more stringent disclosure of the Township’s budget practices. This will include presentation of both the original and final amended budget with a reconciliation of major amendments.



4. Prepare projections of the future impact of accrual basis accounting of the fund equities of Township funds.
  5. Assign a committee or individual to be responsible for composing the Management Discussion and Analysis (MD&A).
3. **Posting of Transactions to the General Ledger.** Accurate and consistent recording of transactions within the general ledger is necessary to provide reliable financial information. The reliable recording of transactions includes posting similar revenue and expense transactions consistently throughout the current fiscal year and between fiscal years. The accurate and consistent recording of transactions enables management to analyze financial information in the decision making process and will result in more efficient audit procedures at year end.

We wish to thank the staff of Alpena Township for their assistance during the audit.

This report is intended solely for the information and use of Alpena Township Board of Commissioners, Michigan Department of Treasury, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which upon acceptance by Alpena Township, is a matter of public record.

We appreciate the opportunity to serve Alpena Township. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

*Straley, Ilsley & Lamp P.C.*